

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

COLLEGENET, INC., a Delaware
corporation,

Plaintiff,

v.

APPLYYOURSELF, INC., a
Delaware corporation,

Defendant.

Nos. CV-02-484-HU (LEAD CASE)
CV-02-1359-HU

OPINION & ORDER

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1 - OPINION & ORDER

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5 HUBEL, Magistrate Judge:

6 Following a jury verdict in plaintiff's favor and the entry of
7 final judgment along with injunctive relief, both parties make
8 several post-trial motions. In a December 9, 2003 Opinion & Order,
9 I granted defendant's motion for judgment as a matter of law
10 regarding infringement of the '042 patent. Remaining for
11 resolution are the following motions: (1) defendant's motion to
12 reconsider an October 28, 2003 Opinion & Order regarding new
13 trials; (2) defendant's motion to alter judgment or alternatively
14 for new trial, regarding James Wolfston's expert testimony on
15 damages; (3) defendant's motion for judgment as a matter of law, or
16 to alter judgment, or for new trial, regarding price erosion
17 damages; (4) defendant's motion for new trial on the issues of
18 infringement, willfulness, jury misconduct, and incomplete
19 transcript; (5) plaintiff's motion to amend the judgment and award
20 enhanced damages; and (6) plaintiff's motion to designate the
21 dismissal of defendant's '042 counterclaims and affirmative
22 defenses to be with prejudice.

23 For the reasons explained below, I grant defendant's motion to
24 reconsider, I deny defendant's motion directed to Wolfston's
25 damages testimony, I deny defendant's motion as to price erosion
26 damages, I deny defendant's "omnibus" motion for new trial, I grant
27 in part and deny in part plaintiff's motion to amend the judgment
28

1 and award enhanced damages, and I deny plaintiff's motion to deem
2 the dismissal of defendant's '042 counterclaims and affirmative
3 defenses as with prejudice.

4 STANDARDS

5 I. Rule 59(e) Motion to Alter or Amend Judgment

6 Rule 59(e) allows for a motion to alter or amend a judgment if
7 filed within ten days after entry of the judgment. Fed. R. Civ. P.
8 59(e). "Amendment or alteration is appropriate under Rule 59(e) if
9 (1) the district court is presented with newly discovered evidence,
10 (2) the district court committed clear error or made an initial
11 decision that was manifestly unjust, or (3) there is an intervening
12 change in controlling law." Zimmerman v. City of Oakland, 255 F.3d
13 734, 740 (9th Cir. 2001).

14 II. Rule 59(a) Motion for a New Trial

15 The court may grant a new trial "for any of the reasons for
16 which new trials have heretofore been granted[.]" Fed. R. Civ. P.
17 59. Those reasons include when "the verdict is contrary to the
18 clear weight of the evidence, or is based upon evidence which is
19 false, or to prevent, in the sound discretion of the trial court,
20 a miscarriage of justice." Silver Sage Partners, Ltd. v. City of
21 Desert Hot Springs, 251 F.3d 814, 819 (9th Cir. 2001) (internal
22 quotation omitted); see also Union Oil Co. of Cal. v. Terrible
23 Herbst, Inc., 331 F.3d 735, 742 (9th Cir. 2003) ("trial court may
24 grant a new trial only if the jury's verdict was against the clear
25 weight of the evidence."), petition for cert. filed, 72. U.S.L.W.
26 (U.S. Oct. 16, 2003) (No. 03-625).

27 When, however, the new trial motion is based on insufficiency
28 of the evidence, a "stringent standard" applies, and the motion

1 should be granted only if the verdict "is against the great weight
2 of the evidence or it is quite clear that the jury has reached a
3 seriously erroneous result." Johnson v. Paradise Valley Unified
4 Sch. Dist., 251 F.3d 1222, 1229 (9th Cir. 2001) (internal quotation
5 omitted).

6 Although the trial court may weigh the evidence and
7 credibility of the witnesses, "the court is not justified in
8 granting a new trial merely because it might have come to a
9 different result from that reached by the jury." Roy v. Volkswagen
10 of Am., Inc., 896 F.2d 1174, 1176 (9th Cir. 1990) (internal
11 quotation omitted); see also Union Oil Co., 331 F.3d at 743 ("It is
12 not the courts' place to substitute our evaluations for those of
13 the jurors."); Silver Sage Partners, 251 F.3d at 819 (a district
14 court may not grant a new trial simply because it would have
15 arrived at a different verdict).

16 III. Rule 50 Motion for Judgment as a Matter of Law

17 In analyzing a motion for judgment as a matter of law, the
18 evidence must be viewed in the light most favorable to the
19 nonmoving party, and all reasonable inferences must be drawn in
20 favor of that party. Horphag Research, Ltd. v. Pellegrini, 337
21 F.3d 1036, 1040 (9th Cir. 2003), petition for cert. filed, 72
22 U.S.L.W. 3393 (U.S. Nov. 20, 2003) (No. 03-773). To grant a motion
23 for judgment as a matter of law, the court must find "no legally
24 sufficient evidentiary basis for a reasonable jury to find" in
25 favor of the nonmoving party. Fed. R. Civ. P. 50(a)(1).

26 A judgment as a matter of law is proper when the evidence
27 permits only one reasonable conclusion and the conclusion is
28 contrary to that reached by the jury. Ostad v. Oregon Health Sci.

1 Univ., 327 F.3d 876, 881 (9th Cir. 2003). The court may not
2 substitute its view of the evidence for that of the jury. Costa v.
3 Desert Palace, Inc., 299 F.3d 838, 859 (9th Cir. 2002), aff'd, 123
4 S. Ct. 2148 (2003). The court is not permitted to make credibility
5 determinations and it may not weigh the evidence. Id.

6 DISCUSSION

7 I. Defendant's Motion for Reconsideration

8 On October 10, 2003, defendant moved for judgment as a matter
9 of law (JMOL), and alternatively for a new trial, as to non-
10 infringement of the '042 patent and as to lost profits damages.
11 Plaintiff moved to strike the two JMOL motions based on defendant's
12 alleged failure to have initially made the Rule 50(a) motions at
13 the close of the evidence.

14 In an October 28, 2003 Opinion & Order, I construed
15 plaintiff's motion to strike as a partial opposition on procedural
16 grounds, to defendant's JMOL motions. I concluded that defendant
17 had made a Rule 50(a) motion for JMOL as to the non-infringement of
18 the '042 patent. I also concluded, however, that defendant had
19 failed to make a Rule 50(a) JMOL motion on the issue of lost
20 profits. As a result, I denied defendant's lost profits JMOL
21 motion on that basis.

22 Because the lost profits JMOL motion was alternatively brought
23 as a motion for new trial under Rule 59, I addressed plaintiff's
24 argument that although Rule 59 does not, in contrast to Rule 50,
25 expressly state that a Rule 59 new trial motion must be made at the
26 close of the evidence as a prerequisite to being made post-verdict,
27 any Rule 59 new trial motion challenging the sufficiency of the
28 evidence is subject to that requirement. I agreed with plaintiff.

1 Oct. 28, 2003 Op. & Ord. at pp. 14-16.

2 Defendant now moves for reconsideration of that decision.
3 During the December 19, 2003 oral argument on this and the other
4 post-trial motions, I granted defendant's request to reconsider my
5 ruling. Having now done so, I agree with defendant that while
6 there is some contradictory authority, the Ninth Circuit has now
7 made clear that a Rule 59 new trial motion addressed to the
8 sufficiency of the evidence need not be preceded by a Rule 50(a)
9 motion at the close of the evidence.

10 In the October 28, 2003 Opinion & Order, I noted that in a
11 2001 case, the Ninth Circuit, while not expressly discussing the
12 relationship between Rule 50's requirements and Rule 59, had held
13 that the district court had properly denied the defendant's post-
14 verdict JMOL and new trial motions because of defendant's failure
15 to comply with Rule 50(a) and raise the issues at the close of all
16 the evidence. Navellier v. Sletten, 262 F.3d 923, 948 (9th Cir.
17 2001), cert. denied, 536 U.S. 941 (2002). Other Ninth Circuit
18 cases are in accord. See Zhang v. American Gem Seafoods, Inc., 339
19 F.3d 1020, 1028-29 (9th Cir. 2003) (affirming district court's
20 denial of JMOL/new trial motion because party failed to raise the
21 issue at the close of all the evidence or at any time prior to
22 return of the verdict); Janes v. Wal-Mart Stores, Inc., 279 F.3d
23 883, 888 (9th Cir. 2002) (failure to make a timely Rule 50(a)
24 motion foreclosed defendant's argument that it was entitled to a
25 new trial on the issue of good cause to terminate the plaintiff's
26 employment).

27 However, despite this authority, the court held otherwise in
28 an October 21, 2003 opinion. Freund v. Nycomed Amersham, 347 F.3d

1 752 (9th Cir. 2003), was a wrongful discharge case brought under
2 California law. The defendant made a Rule 50(a) JMOL motion solely
3 on the ground that the plaintiff's complaint did not implicate any
4 public policy that could give rise to a wrongful termination claim.
5 The trial court denied the motion. The jury returned a verdict in
6 the plaintiff's favor.

7 Following the trial, the defendant renewed its JMOL motion and
8 also raised a new argument that the punitive damages award should
9 be overturned because the plaintiff did not prove that either of
10 the individual defendants had acted with malicious intent in
11 terminating him. The defendant also moved for a new trial under
12 Rule 59. The district court granted in part the JMOL motions,
13 overturning the punitive damages award, but upholding the verdict
14 that the plaintiff was wrongfully terminated in violation of public
15 policy. The district court denied the defendant's motion for a new
16 trial.

17 Both parties appealed. The plaintiff argued that the district
18 court erred in granting the JMOL motion regarding punitive damages
19 because the defendant had failed to move for such relief at the
20 close of the evidence under Rule 50(a). The Ninth Circuit agreed.
21 Id. at 761.

22 As to the Rule 59 motion, the Ninth Circuit characterized the
23 motion as "urg[ing] a new trial on two grounds that it had also
24 urged in support of its motion for judgment as a matter of law:
25 (1) insufficiency of evidence of malice, and (2) insufficiency of
26 evidence of the financial condition of Nycomed." Id. at 763. The
27 district court denied the motion because it had already vacated the
28 punitive damages award and thus, did not need to entertain the

1 defendant's argument that a new trial was warranted because the
 2 punitive damages were excessive. Id. On appeal, the defendant
 3 argued that the new trial motion should be remanded to the district
 4 court for its consideration. The Ninth Circuit agreed.

5 First, the court noted that under Rule 50(c), the district
 6 court should not have declined to reach the new trial motion
 7 regarding punitive damages on the ground that it had already
 8 granted a JMOL on that issue. Id. at 764-65. As for the Rule
 9 50(a) requirement applying to Rule 59 motions, the court stated:

10 We reject Freund's contention that Nycomed has
 11 waived its right to a new trial motion. Unlike a motion
 12 for judgment as a matter of law, a motion for new trial
 13 does not have to be preceded by a Rule 50(a) motion prior
 14 to submission of the case to the jury. See Williams v.
 15 Fenix & Scisson, Inc., 608 F.2d 1205, 1207 (9th Cir.
 16 1979) (holding that failure to move for directed verdict
 nullifies a motion for judgment notwithstanding the
 verdict, but leaves open for review a motion for new
 trial); see also Farley Transp. Co. v. Santa Fe Transp.
Co., 786 F.2d 1342, 1347 (9th Cir. 1985); Gilchrist v.
Jim Slemmons Imports, Inc., 803 F.2d 1488, 1493 (9th Cir.
 1986). FN15

17 FN15. We do not regard Janes v. Wal-Mart Stores
 18 Inc., 279 F.3d 883 (9th Cir. 2002), as casting any
 19 doubt on this proposition. In Janes, the defendant
 20 argued that it was entitled to a new trial because
 21 the evidence established as a matter of law that it
 22 had good cause to terminate the plaintiff's
 23 employment. Janes held that the failure to make a
 timely Rule 50(a) motion foreclosed that
 contention. Id. at 888. Janes cited both
Gilchrist and Farley, which it was bound to follow,
 without casting any doubt on the holding of those
 cases that a motion for new trial is not foreclosed
 by failure to make an earlier Rule 50(a) motion.

24 Id. at 765.

25 Plaintiff argues that Freund is not a basis for overturning my
 26 previous conclusion because the Freund court did not specify which
 27 ground(s) for new trial should be considered upon remand and the
 28 opinion thus does not preclude the district court, upon remand,

1 from applying Ninth Circuit law that a challenge limited to the
2 sufficiency or weight of the evidence has been waived by failing to
3 raise a Rule 50(a) motion at the close of the evidence. I reject
4 this argument.

5 The only bases for the new trial motion were insufficiency or
6 weight of the evidence arguments relating to punitive damages.
7 With those arguments being the only ones made in support of the new
8 trial motion, the Ninth Circuit nonetheless rejected the
9 plaintiff's argument that the defendant had waived the new trial
10 arguments because of its failure to raise them as part of its Rule
11 50(a) JMOL motion. The only reasonable way to interpret the
12 opinion is that the Ninth Circuit intended that Rule 59 new trial
13 motions attacking the sufficiency or weight of the evidence are not
14 subject to Rule 50(a) and may be raised regardless of whether they
15 are raised at the close of the evidence.

16 Based on Freund and the cases it cites, I conclude that my
17 October 28, 2003 Opinion & Order is in error. I note that prior to
18 its motion for reconsideration, defendant did not focus on the Rule
19 59 issue in its earlier briefing. It did not cite Williams,
20 Farley, or Gilchrist. It did not bring Freund to my attention.
21 While I did conduct some independent research into the issue, it
22 was limited and did not reveal any contrary authority. However,
23 having reviewed the Freund decision from one week prior to my
24 opinion, I agree with defendant that its Rule 59 new trial motions
25 may be properly considered.

26 II. Defendant's Motion to Alter Judgment, Alternatively for
27 a New Trial re: Wolfston's Expert Damages Testimony

28 While defendant makes this motion under both Rule 59(e) and

1 Rule 59(a), defendant cites no standards for a Rule 59(e) motion
2 and makes no separate argument in support of that motion. As seen
3 in the standards set forth above, the only possible basis for the
4 Rule 59(e) motion is the one addressed to clear error. Defendant
5 does not assert any newly discovered evidence or intervening change
6 in the controlling law. As I understand this motion, defendant
7 first seeks to alter or amend the judgment to exclude damages based
8 on what it assigns as multiple errors of law regarding the damages
9 case. Alternatively, defendant seeks a new trial on the basis that
10 the verdict was contrary to the clear weight of the damages
11 evidence.

12 Defendant's arguments include: (1) the court erred in denying
13 defendant's April 2003 motion to strike Wolfston's testimony; and
14 (2) the court erred in allowing Wolfston's testimony at trial over
15 defendant's objection based on plaintiff's attorney's role in the
16 writing of the expert report, there was no independent methodology
17 of the witness, there was no reliable data regarding acceptable
18 non-infringing substitutes, there was no reliable data regarding
19 the relevant market, and the witness applied an erroneous
20 reasonable royalty damages factor of gross profits rather than net
21 profits.

22 On April 29, 2003, defendant moved to strike the testimony of
23 plaintiff's expert and chief executive officer James Wolfston and
24 his report on damages, as well as plaintiff's damages claim.
25 Defendant made two primary arguments: (1) Wolfston did not meet
26 the qualifications required to give expert testimony; and (2) the
27 report's substance was flawed. I rejected defendant's arguments
28 and denied its motion in a May 9, 2003 Order.

1 On August 28, 2003, during the trial and after Wolfston
2 testified in plaintiff's case in chief, defendant orally moved to
3 strike Wolfston's damages testimony. I took the motion under
4 advisement. On August 29, 2003, defendant filed a written motion
5 to strike Wolfston's damages testimony and his damages report.
6 There was extensive written briefing by both parties. I heard oral
7 argument on the motion on September 2, 2003, still during the
8 trial. The bases for the oral and written motions made by
9 defendant at trial were that (1) plaintiff's attorney wrote the
10 expert report; (2) Wolfston applied no methodology; rather, the
11 methodology was determined and applied by counsel from the outset;
12 and (3) Wolfston disregarded factual analysis and made spurious
13 assumptions.

14 I initially took the written motion under advisement, and then
15 later denied the oral and written motions orally from the bench.
16 I noted that most of defendant's attack on plaintiff's damages case
17 went to the weight of the evidence, not the methodology. Vol. 5
18 Trial Trans. at pp. 141-42. I concluded that while defendant made
19 several arguments in support of excluding Wolfston's expert, the
20 testimony should not be excluded. Id.

21 Defendant makes no new arguments in the present motion. The
22 only new evidence defendant cites in the present motion are
23 plaintiff's attorney billing records submitted by plaintiff in
24 support of its attorney's fee petition. While I agree with
25 defendant that the records do not reveal extensive dialogue between
26 Wolfston and his attorneys regarding the preparation of the expert
27 report, no attorney billing records would show what Wolfston did on
28 his own to prepare the report. Thus, I view the records as having

1 limited relevance to the issues.

2 Given the lack of new arguments and the lack of new relevant
3 evidence, I see no need to re-articulate my previous reasoning
4 denying the motions to strike Wolfston's expert testimony and
5 damages report. For the reasons explained in the May 9, 2003 Order
6 and in my oral ruling on September 2, 2003, I conclude that I made
7 no error in denying the motion to strike Wolfston's testimony, and
8 thus the verdict is not against the clear weight of the evidence.
9 I deny defendant's motion to alter or amend the judgment and
10 alternative motion for a new trial directed at Wolfston's expert
11 damages evidence.

12 III. Defendant's Motion for JMOL, or to Alter Judgment, or for
13 New Trial Regarding Price Erosion Damages

14 As indicated, defendant brings this motion first as one for
15 JMOL, then to alter judgment, and finally for new trial. For the
16 reasons articulated in my October 28, 2003 Opinion & Order
17 regarding plaintiff's motion to strike defendant's JMOL motions, I
18 deny this JMOL motion because, based on the reconstructed record
19 described in that Opinion, it is beyond any issue defendant raised
20 in support of its Rule 50(a) JMOL motion made at the close of the
21 evidence in the case.

22 Additionally, I deny the motion to alter judgment under Rule
23 59(e). I do not read this motion as presenting any newly
24 discovered evidence, as citing any intervening change in
25 controlling law, or as addressing any district court error or
26 decision that was manifestly unjust. Zimmerman, 255 F.3d at 740.
27 Thus, I consider this motion only as one for new trial under Rule
28 59(a).

1 In this motion, defendant contends that the lost profits
2 damages awarded by the jury on both the '278 and '042 patents is
3 against the clear weight of the evidence because of the absence of
4 evidence on price erosion. Defendant argues that plaintiff's price
5 erosion evidence was limited to Wolfston's testimony about "strong
6 feelings" and "beliefs" that if defendant were not infringing,
7 plaintiff could charge more for its product. Defendant attacks the
8 lack of any "real evidence" on this issue and further attacks the
9 lack of testimony regarding the decrease in sales which would have
10 occurred at a higher hypothetical price.

11 A lost profits damages case may be based on diverted sales,
12 price erosion, and/or increased costs. Herbert F. Schwartz, Patent
13 Law & Practice 105 (Fed. Jud. Center, 2d ed. 1995). In this case,
14 plaintiff presented its lost profits claim based on two theories -
15 diverted sales and price erosion. The verdict form did not require
16 the jury to separately state the lost profits damages based on
17 diverted sales and those based on price erosion.

18 I agree with plaintiff that given defendant's lack of
19 objection to this part of the verdict form, defendant has waived
20 its right to challenge only one of the two lost profits damages
21 theories presented to the jury. The jury's verdict can be
22 sustained on the diverted sales theory and its supporting evidence.
23 See Mitsubishi Elec. Corp. v. Ampex Corp., 190 F.3d 1300 (Fed. Cir.
24 1999) (multiple theories of invalidity presented to jury, but
25 verdict form contained only general invalidity question; Federal
26 Circuit, applying Ninth Circuit law, faced with issue of whether
27 insufficient evidence on only one of the theories required that the
28 entire verdict be overturned, found that the party challenging the

1 verdict had waived any objection that the verdict should be
2 overturned on account of inadequate evidence on one of the two
3 theories when it failed to object to the general invalidity
4 question on the verdict form).

5 Furthermore, I note that Wolfston testified that had defendant
6 not been infringing, plaintiff would have been able to raise its
7 per application price twenty-five percent to \$6.25. Vol. 2 Trial
8 Trans. at pp. 261-65. Additional testimony established that
9 defendant's average price per application was \$7.00. Vol. 5 Trial
10 Trans. at p. 102. A reasonable inference from this testimony is
11 that plaintiff could increase its per application fee and not lose
12 sales given that its hypothetical higher price is still lower than
13 defendant's average per application price. Thus, even if defendant
14 had not waived its ability to object to the price erosion evidence,
15 the lost profits verdict is not against the clear weight of the
16 evidence.

17 I deny defendant's new trial motion directed at price erosion
18 damages evidence.

19 IV. Defendant's Motion for New Trial: Infringement,
20 Willfulness, Jury Misconduct, and Incomplete Transcript

21 This motion has four distinct parts: infringement,
22 willfulness, jury misconduct, and incomplete transcript. I address
23 them in turn.

24 A. Infringement

25 Defendant argues that a new trial on infringement is warranted
26 on two bases: (1) the unequivocal testimony was that defendant's
27 systems do not provide custom forms and thus, do not infringe the
28 '278 or the '042 patents; and (2) defendant's systems do not

1 provide custom data delivery and thus, do not infringe claims 6-8
2 and 27 of the '278 patent. I address defendant's arguments in
3 turn.

4 1. Custom Forms

5 Claim 1 of the '278 patent provides, in pertinent part:

6 creating in response to a request from an applicant for
7 an application to a first institution a first application
8 form customized in accordance with the preferences of the
9 first institution . . . ;

10 . . .

11 creating in response to a request from the applicant for
12 an application to a second institution a second
13 application form customized in accordance with the
14 preferences of the second institution . . . ;

15 Exh. 2 (22:37-40, 54-57) (emphasis added).

16 Claim 21 provides, in pertinent part:

17 A system for creating and processing customized forms for
18 unrelated institutions . . . ;

19 . . .

20 first data storage in communication with the server
21 computer and including form description information
22 specifying the content and appearance of each customized
23 form;

24 Id. (24:52-53, 59-62) (emphasis added). Independent claims 1, 16,
25 and 32 of the '042 patent contain similar limitations regarding
26 customized forms. While I have already granted defendant's JMOL as
27 to the '042 patent, I am required to address this alternative new
28 trial motion directed at the infringement of the '042 patent
according to Rule 50(c).

Defendant argues that the undisputed evidence is that neither
of defendant's systems can provide a custom form according to the
preferences of each institution. Rather, defendant contends, while
its systems provide a "modicum" of flexibility, they use a

1 template-driven forms interface which restricts what an institution
2 may do to customize the form.

3 Defendant relies on the following testimony from plaintiff's
4 expert Dr. Leonard Shapiro:

5 Q: Indeed.

6 But in the Lewis & Clark example in the patent, the
7 emblem for Lewis & Clark is in the top, in the
middle. Right?

8 A: Yes.

9 Q: And isn't that one of the places that ApplyYourself
can't put an emblem?

10 A: Yes. I was quite aware of that when I did my
11 analysis and I was struck by the fact that
12 ApplyYourself used this public domain package. I
thought it was quite interesting and illuminating,
13 in studying -

14 Q: Well, there's no - I'm sorry.

15 A: It's -

16 Q: There's no problem using something in the public
domain?

17 A: No, not at all. I found it interesting in my study
18 of commercial packaging. There's nothing wrong
with it.

19 Vol. 4 Trial Trans. at p. 204.

20 Defendant argues that there is no evidence that its systems
21 literally infringe the custom form limitation and that there is a
22 similar failure of evidence to support an infringement verdict
23 based on the doctrine of equivalents regarding this claim
24 limitation. I agree with defendant that plaintiff presented no
25 relevant doctrine of equivalents evidence regarding the custom form
26 limitation. I also agree that Dr. Shapiro's testimony set forth
27 above was unrebutted.

28 Nonetheless, I deny the motion on the infringement issue

1 because I agree with plaintiff that the custom form limitation was
2 resolved on summary judgment and was not litigated at trial.
3 Plaintiff moved for summary judgment on the issue of infringement
4 of claims 1, 9, 10, and 21 of the '278 patent. In response to the
5 motion, defendant addressed one of its arguments to the custom form
6 limitation of claims 1, 9, and 10. In the July 7, 2003 Opinion
7 resolving the summary judgment motions, I noted that several of the
8 claims in both the '278 and '042 patents contained a customized
9 form limitation. July 7, 2003 Op. & Ord. at p. 35. I noted that
10 while I addressed the claim limitation in the context of claim 1 of
11 the '278 patent, the discussion applied to any claim containing
12 that limitation in either patent. Id. at n.5.

13 At summary judgment, defendant did not argue that it did not
14 practice the customized form limitation because its systems did not
15 provide unlimited variations in forms, but instead used a template-
16 driven forms interface restricting the customization options.
17 Rather, defendant argued that the custom form limitation included
18 the concept of transparency. That is, that the "customized form"
19 or "customized application" term in the patents should be
20 interpreted to mean that the application form is "transparent" and
21 contains no references or other indicia that the application is
22 being hosted by the forms service provider.

23 I rejected this interpretation. Id. at pp. 36-37. Then, I
24 granted plaintiff's motion for summary judgment on the infringement
25 of claims 1, 9, 10, and 21 of the '278 patent based on defendant's
26 admissions that its systems practiced the custom form limitation.
27 Id. at p. 37 (citing responses to requests for admission 44, 45,
28 52, 53, 64, and 65 which collectively admitted that Flagship and i-

1 Class allowed the institution to customize an application form).
2 I also noted that in its response to plaintiff's concise statement
3 of fact, defendant had accepted plaintiff's asserted fact that both
4 of its systems allow a school to customize an application form in
5 content and appearance, including an indication of source such as
6 a logo. Id.

7 I also based my decision on Exhibit F to Dr. Shapiro's expert
8 report, an exhibit submitted by plaintiff in support of its summary
9 judgment motion, which analyzed the infringement of claims 1, 9,
10 10, and 21 of the '278 patent. I noted that except for the
11 specific elements or functions separately discussed, Exhibit F and
12 the evidence cited therein, supported plaintiff's motion for
13 summary judgment as to the literal infringement of claims 1, 9, 10,
14 and 21 of the '278 patent. Id. at p. 30. Because I rejected the
15 only challenge defendant made to the "customized form" limitation,
16 because defendant admitted that both its systems practiced the
17 limitation, and because Dr. Shapiro's chart demonstrated
18 infringement of the limitation, I concluded that "defendant
19 fail[ed] to create a material issue of fact regarding the accused
20 systems' practice of the 'customized form' limitation[.]" Id. at
21 p. 37. I then granted plaintiff's summary judgment motion.

22 During trial, immediately following the testimony from Dr.
23 Shapiro excerpted above, defendant's counsel asked Dr. Shapiro
24 whether defendant could produce a customizable form as described in
25 the patent. Vol. 4 Trial Trans. at pp. 204-05. The question drew
26 a relevance objection from plaintiff. Id. at p. 205. With the
27 jury excused, plaintiff argued that the custom form limitation had
28 been resolved on summary judgment so any testimony about it was not

1 relevant at trial.

2 After a discussion with counsel, a review of the summary
3 judgment opinion as well as plaintiff's concise statement of facts
4 and defendant's response to that statement, and a review of the
5 relevant admissions made by defendant, I stated that "[w]e tried
6 the case on the custom data formatting on the back end, not -- not
7 on the customized application on the front end. And that's --
8 that's where it needs to stay." Id. at p. 214. Accordingly, I
9 sustained plaintiff's objection and testimony resumed.

10 Based on the summary judgment ruling and my comment during
11 trial, including sustaining plaintiff's relevance objection to
12 testimony regarding the custom form limitation, there is no basis
13 upon which to grant defendant a new trial. The custom form issue
14 raised by defendant here was decided adversely to defendant in
15 regard to both patents, on summary judgment. Defendant did not
16 seek to reconsider that ruling. Defendant did not seek to withdraw
17 these relevant admissions. The custom form limitation was not an
18 issue at trial. The fact that on cross-examination, defendant's
19 counsel elicited a few statements from Dr. Shapiro before plaintiff
20 objected to the testimony is not a proper basis upon which to seek
21 a new trial. I deny this motion.

22 2. Custom Data Delivery in Claims 6-8, 27
23 of the '278 Patent

24 Claims 6 and 27 of the '278 patent contain the phrase "format
25 specified by the institution" which appears in claims 1, 16, and 32
26 of the '042 patent and which was construed as part of the summary
27 judgment motions and then refined before and during trial. Claim
28 7 of the '278 patent depends from claim 6 and claim 8 of the '278

1 patent depends from claim 7.

2 Based on the similar language in the '042 patent claims,
3 defendant argues that its arguments regarding non-infringement of
4 the '042 patent should apply to claims 6-8 and 27 of the '278
5 patent. Defendant contends that the clear weight of the evidence
6 demonstrates that its systems do not provide "unlimited formats" or
7 "mapping" as the patents require.

8 I do not address the merits of defendant's argument because I
9 am persuaded by plaintiff's argument that a new trial on claims 6-8
10 and 27 would be inappropriate given that twenty-four of the claims
11 of the '278 patent were found to be infringed by both of
12 defendant's systems, and no claim was found invalid. For damages
13 to be awarded, only one valid claim need be infringed. Thus, even
14 if I concluded that the infringement verdicts on claims 6-8 and 27
15 of the '278 patent were against the clear weight of the evidence,
16 the damages awarded on the '278 patent would still stand.

17 The verdict form did not ask the jury to award separate
18 damages for each claim of the '278 patent. Defendant did not
19 object to the verdict form's lack of segregation. During oral
20 argument, defendant suggested that depending on how the Federal
21 Circuit resolves several of the issues that will be appealed by
22 either party, the lack of evidence to support the infringement
23 verdict on claims 6-8 and 27 of the '278 patent could matter and
24 impact the '278 patent infringement damages award. Even if I
25 accept defendant's position, it does not change the fact that
26 defendant failed to object to the verdict form which had only one
27 damages question for lost profits and one for reasonable royalties
28 for the collective infringed, valid claims of the '278 patent. It

1 is an inefficient use of judicial resources for me to resolve the
2 issues surrounding this unsegregated verdict. If an action by the
3 Federal Circuit on appeal requires a re-examination of the claims
4 at issue in this motion (for example, because those claims end up
5 being the only infringed and valid claims in the '278 patent), the
6 Federal Circuit can order a new trial on those claims at that time.

7 B. Willfulness

8 The jury found, by clear and convincing evidence, that the
9 infringement of the '278 patent was willful. The jury instruction
10 on this issue provided as follows:

11 Plaintiff alleges that defendant willfully infringed
12 the '278 patent. You are to consider this contention
13 only if you have found infringement of any of the claims
14 of the '278 patent that plaintiff alleges is infringed in
15 this litigation, under any of plaintiff's infringement
16 theories.

17 To prove willful infringement, plaintiff must show that:

- 18 (1) Defendant had actual knowledge of the '278
19 patent; and
20 (2) Defendant had no reasonable basis for believing
21 (a) that defendant's system or method
22 did not infringe the '278 patent or
23 (b) that the '278 patent was invalid.

24 In deciding whether defendant committed willful
25 infringement, you must consider all of the facts, which
26 include, but are not limited to:

- 27 (1) Whether defendant intentionally copied a
28 product of plaintiff covered by the '278
patent;
(2) Whether defendant, when it knew of plaintiff's
patent protection, investigated the scope of the
patent and formed a good-faith belief that the
patent was invalid or that it was not infringed;
(3) Whether defendant made a good faith effort to avoid
infringing the patent; and
(4) Whether defendant relied on a legal opinion
that appeared to it to be well-supported and
believable and that advised defendant (a) that
the product or method did not infringe the
'278 patent or (b) that the '278 patent was
invalid.

1 Jury Instructions at pp. 23-24.

2 The instruction adequately summarized the law for the jury.
3 Defendant argues that it presented abundant evidence of good faith
4 that the '278 patent was invalid or not infringed. Plaintiff
5 contends that the jury's willfulness decision is adequately
6 supported by the evidence.

7 The evidence cited by defendant in support of its motion
8 includes:

9
10 (a) Len Metheny's testimony that he viewed notice
11 of the patent and filing of suit against his company seriously;
12 Vol. 4. Trial Trans. at pp. 231, 233;

13 (b) Metheny's testimony of defendant's actions and
14 research after receipt of notice of the lawsuit which led him to
15 form a good faith belief that defendant did not infringe the '278
16 patent and that the '278 patent was invalid since its technology
17 was in the prior art; Vol. 5 Trial Trans. at pp. 127-29;

18 (c) the fact that defendant sought preemptive relief
19 via a declaratory judgment action directed at invalidity and non-
20 infringement;

21 (d) the fact that defendant mounted a reasonable and
22 vigorous challenge to validity and infringement throughout the
23 trial;

24 (e) the fact that defendant has respected the
25 Court's rulings and has diligently complied with any adverse
26 rulings, including that as soon as the Markman opinion issued on
27 the '278 patent in December 2002, defendant turned off its data
28

1 sharing feature; and

2 (f) the lack of evidence of deliberate copying as
3 indicated by testimony of Noblestar employees denying copying, and
4 defendant's witnesses' testimony indicating that defendant was not
5 attempting to steal plaintiff's technology, that i-Class was
6 developed without reference to plaintiff's products, and that
7 defendant lacked awareness of specific features of plaintiff's
8 products during development.

9 In opposition, plaintiff notes the following:

10 (a) the lack of any legal opinion offered by
11 defendant;

12 (b) a July 2000 e-mail from Metheny indicating that
13 a potential client institution had chosen plaintiff over defendant
14 and stating that "CollegeNET has been hurting us quite a bit lately
15 with a number of ideas, and they do not have anything different
16 about their system . . . they have just learned how to sell against
17 us, and we are not responding. Take the gloves off, folks. We are
18 gonna gear up and kick the #&^\$ out [of] those Portland folks."
19 Exh. 27;

20 (c) an April 17, 2002 e-mail from one of defendant's
21 employees in which he lists a number of "web-based apps" that he
22 "follows" and noting that they "all seem to be infringing on the
23 CollegeNet patent." Exh. 56;

24 (d) Metheny's testimony that he did not learn how to
25 understand the patent claim, or about infringement theories, or
26 what it meant to invalidate a patent in terms of opening up legal
27

1 books and reading; Vol. 5 Trial Trans. at p. 137;

2 (e) defendant's touting of its automatic data
3 sharing feature of its products in its company profile to secure
4 the University of Indiana's business; Exhs. 70, 73.

5 (f) the fact that defendant did not approach
6 plaintiff during litigation with a licensing agreement proposal;

7 (g) the fact that defendant had a strong incentive
8 to infringe given the fierce competition in the on-line application
9 market; and

10 (h) Metheny's testimony that when he was copied on
11 a March 25, 2002 e-mail indicating that plaintiff had been granted
12 a patent for its universal forms engine, he could have read
13 plaintiff's press release which was an attachment to that e-mail,
14 and learned about the patent, but he did not because he did not
15 "pursue it." Vol. 4 Trial Trans. at pp. 231-33.

16
17 This recitation of the evidence relied on by both parties
18 shows that the evidence is mixed with some evidence supporting good
19 faith and other evidence capable of suggesting that defendant's
20 infringement of the '278 patent was willful. Where the evidence is
21 equivocal and the jury could have reasonably interpreted it in
22 support of a willfulness determination, defendant fails to show
23 that the verdict is against the great weight of the evidence. I
24 deny this part of defendant's new trial motion.

25 C. Jury Misconduct

26 At the end of the day on September 9, 2003, the jury informed
27 the bailiff that it had reached a verdict. I determined that it
28

1 would be best to receive the verdict the following morning given
2 the late hour of the day and my anticipation that polling the jury
3 could take some time. Before receiving the verdict on the morning
4 of September 10, 2003, defendant moved for a mistrial based on jury
5 misconduct. Defendant's motion was based on a series of jury notes
6 received during the jury's deliberations, including one that was
7 received after the jury had announced that it had reached a
8 verdict. The motion was also based on the fact that during
9 deliberations, one juror had left the jury room in tears because
10 she had become so upset during the deliberations. That same
11 morning I denied defendant's motion for reasons stated on the
12 record.

13 Defendant now cites the same evidence and makes the same
14 arguments in support of its new trial motion based on jury
15 misconduct. I deny the motion for the reasons articulated orally
16 on the record the morning of September 10, 2003.

17 D. Incomplete Transcript
18

19 At the October 27, 2003 hearing on plaintiff's motion to
20 strike defendant's JMOL motions, defendant orally moved for a new
21 trial based on an allegedly incomplete transcript. I denied the
22 motion in the October 28, 2003 Opinion resolving plaintiff's motion
23 to strike. For the reasons articulated in that Opinion, I deny
24 this renewed motion for new trial based on an incomplete
25 transcript.

26 V. Plaintiff's Motion to Amend Judgment and Award Enhanced Damages

27 Pursuant to 35 U.S.C. § 284, plaintiff moves for an award of
28 enhanced damages on its claim for infringement of the '278 patent.

1 Plaintiff seeks a tripling of the award from \$181,000 to \$543,000.
2 Pursuant to Rule 59(e), plaintiff seeks an amendment of the
3 judgment to reflect the enhanced award.

4 The damages statute governing patent cases provides:

5 Upon finding for the claimant the court shall award
6 the claimant damages adequate to compensate for the
7 infringement, but in no event less than a reasonable
8 royalty for the use made of the invention by the
infringer, together with interest and costs as fixed by
the court.

9 When the damages are not found by a jury, the court
shall assess them. In either event the court may
10 increase the damages up to three times the amount found
11 or assessed. Increased damages under this paragraph
shall not apply to provisional rights under section
12 154(d) of this title.

13 The court may receive expert testimony as an aid to
14 the determination of damages or of what royalty would be
reasonable under the circumstances.

15 35 U.S.C. § 284 (emphasis added).

16 Section 284 does not provide any meaningful standard for
17 determining when enhanced damages are appropriate, leaving it to
18 the district court's discretion based on the totality of the
19 circumstances presented in each individual case. Mentor H/S, Inc.
20 v. Medical Device Alliance, Inc., 244 F.3d 1365, 1380 (Fed. Cir.
21 2001). The court's paramount consideration is the egregiousness of
22 the defendant's conduct. Electro Scientific Indus., Inc. v.
23 General Scanning, Inc., 247 F.3d 1341, 1353 (Fed. Cir. 2001).

24 The Federal Circuit has approved of a two-step inquiry.
25 Jurgens v. CBK, Ltd., 80 F.3d 1566, 1570 (Fed. Cir. 1996). "First,
26 the fact-finder must determine whether an infringer is guilty of
27 conduct upon which increased damages may be based. If so, the
28

1 court then determines, exercising its sound discretion, whether,
2 and to what extent, to increase the damages award given the
3 totality of the circumstances." Id.

4 The requisite conduct for imposing enhanced damages must
5 include some degree of culpability. Id. While a jury's finding of
6 willful infringement satisfies the requirement for enhanced
7 damages, id., "a finding of willful infringement does not mandate
8 that damages be enhanced, much less mandate treble damages." Read
9 Corp. v. Portec, Inc., 970 F.2d 816, 826 (Fed. Cir. 1992).

10 To assist the district court in determining whether enhanced
11 damages are appropriate, the Federal Circuit has established nine
12 factors which are to be considered: (1) whether the infringer
13 deliberately copied the ideas or designs of the patentee; (2)
14 whether the infringer knew of the other's patent, investigated the
15 scope of the patent, and formed a good-faith belief that the patent
16 was invalid or that it was not infringed; (3) the infringer's
17 behavior as a party during the litigation; (4) the infringer's size
18 and financial condition; (5) the closeness of the case; (6) the
19 duration of the infringer's conduct; (7) any remedial action by the
20 defendant; (8) defendant's motivation for harm; and (9) whether the
21 defendant attempted to conceal its misconduct. Read Corp., 970
22 F.2d at 827. This test is designed to assist the district court in
23 evaluating the infringer's conduct and provides both aggravating
24 and mitigating factors. See id. at 826.

25 Because I have denied defendant's new trial motion directed at
26 the willfulness verdict, the requisite culpability under the
27 Federal Circuit's first inquiry has been established. What remains
28

1 is an evaluation of the nine Read factors to determine whether an
2 enhanced award is appropriate, and if so to what extent, under the
3 totality of the circumstances.

4 A. Deliberate Copying

5 While evidence in the record supports a finding of
6 willfulness, I agree with defendant that there is little or no
7 evidence suggesting that defendant deliberately copied the '278
8 patent. This factor weighs against an award of enhanced damages.
9

10 B. Knowledge, Investigation, and Good-Faith Belief

11 Here, the evidence cited above in connection with defendant's
12 new trial motion directed at the willfulness verdict, is capable of
13 supporting a determination that defendant knew of the patented
14 technology and failed to conduct a reasonable or thorough
15 investigation into the validity and infringement claims and thus,
16 had an inadequate basis upon which to form a good-faith belief that
17 the patent was invalid or not infringed. This factor weighs in
18 favor of an award of enhanced damages.

19 C. Infringer's Behavior During Litigation

20 Plaintiff cites several acts which it alleges demonstrate that
21 defendant acted poorly during the litigation. Among other things,
22 plaintiff points to (1) a May 23, 2003 e-mail from Metheny to
23 defendant's college customers which plaintiff alleges was
24 misleading; (2) defendant's attempts to seal the summary judgment
25 opinion; (3) an allegedly misleading post-verdict press release
26 issued by defendant; (4) alleged missed court deadlines; (5)
27 defendant's seeking leave to supplement the summary judgment record
28

1 one week before the oral argument on summary judgment motions; (6)
2 defendant's refusal to drop abandoned affirmative defenses prior to
3 trial; and (7) defendant's violation of court orders regarding
4 witness statements.

5 Defendant notes that this was a hard fought case. Defendant
6 further contends that zealous advocacy, genuine debate, and honest
7 disagreement should not be viewed as synonymous with "bad
8 behavior."

9 I agree with defendant's assessment. I do not view any of
10 these listed actions of defendant's as indicative of the
11 appropriateness of an enhanced damages award. While other parties
12 may have handled themselves differently, and while all of
13 defendant's conduct was not desirable, I cannot conclude that any
14 of it fell outside the range of conduct seen in the context of hard
15 fought litigation with each party's survival at stake. This factor
16 is neutral, neither favoring nor disfavoring an award of enhanced
17 damages.

18
19 D. Defendant's Size and Financial Condition

20 Defendant is a small company. Even though defendant no longer
21 has a \$1.2 million money judgment against it, the trial evidence
22 revealed that defendant does not make a profit. Post-trial motions
23 regarding a stay of execution of the Judgment showed that
24 defendant's financial picture is somewhat uncertain. Defendant
25 operates in a very competitive market and it will still be
26 litigating this case in the appellate court for the foreseeable
27 future. This factor weighs against an award of enhanced damages.

28 / / /

29 - OPINION & ORDER

1 E. Closeness of the Case

2 Plaintiff prevailed at summary judgment as to the literal
3 infringement of four claims of the '278 patent. Aside from that
4 victory, however, I view the case as having presented close
5 questions of infringement and validity as to the '278 patent. This
6 factor weighs against an award of enhanced damages.

7 F. Duration of the Infringer's Conduct

8
9 The '278 patent issued in February 2002. Plaintiff initiated
10 the lawsuit in April 2002. The claim construction opinion was
11 issued in December 2002. Within days of the issuance of the claim
12 construction opinion, defendant voluntarily turned off the
13 infringing automatic data sharing feature. Thus, the period of
14 infringement was limited to eight or nine months.

15 Plaintiff maintains that it should not be penalized for having
16 filed suit so soon after the '278 patent issued. While I do not
17 agree with plaintiff's use of the word "penalty," the fact remains
18 that plaintiff's decision to sue defendant almost immediately after
19 issuance of the patent, coupled with defendant's voluntary
20 cessation of infringing activity days after the claim construction
21 on the '278 patent was rendered, produces a short period of
22 infringement. This factor weighs against an award of enhanced
23 damages.

24 G. Remedial Action

25 As noted, defendant voluntarily ceased its infringing activity
26 shortly after the claim construction opinion issued. This factor
27 weighs against an award of enhance damages.
28

1 H. Defendant's Motivation for Harm

2 Plaintiff argues that defendant had a strong incentive to
3 infringe given the undisputed trial evidence that competition for
4 this type of product is fierce and the initial contract often
5 translates into a long-term commitment. Plaintiff also suggests
6 that in attempting to win and maintain clients, defendant promoted
7 its product features, including infringing features. In support of
8 this argument plaintiff again cites to Exhibits 70 and 73.

9 Exhibit 73 is a proposal by defendant to the University of
10 Indiana. The date on the proposal is April 2001, before the patent
11 issued. Thus, defendant was not promoting an infringing feature at
12 that point because no patent protected plaintiff's propriety in
13 that feature. The same goes for Exhibit 70. This is defendant's
14 company profile in which defendant allegedly touts its automatic
15 data sharing feature. But, the exhibit is undated and to my
16 recollection, there was no trial testimony establishing a date for
17 this document. This, as it stands, it does not demonstrate
18 defendant's motivation for harm because the document may have been
19 issued before the patent. I fail to see how documents drafted
20 before the patent issued demonstrate defendant's deliberate
21 marketing of an infringing feature.

22 I agree with plaintiff that the evidence shows a very
23 competitive industry with a focus on being the first to win a
24 client's business. This provides some motivation for defendant to
25 harm plaintiff. However, I disagree with plaintiff that the
26 evidence shows defendant's continued deliberate touting of its
27 infringing product into the infringement period. Accordingly, this
28

1 factor is neutral - neither favoring nor disfavoring an award of
2 enhanced damages.

3 I. Concealing Misconduct

4 Plaintiff argues that defendant acted deceptively in dealing
5 with the marketplace regarding both pre- and post-verdict publicity
6 of the dispute, the rulings, and the verdict. Plaintiff first
7 points to Exhibit 59, the May 2003 e-mail sent by Metheny to
8 defendant's clients regarding plaintiff's allegedly "overly-broad"
9 patent and the fact that defendant filed a suit challenging the
10 validity of the patent. Metheny further asserted that left
11 challenged, the patent "could seriously limit your choices and
12 ultimately be harmful to any college or university wishing to
13 process even its own applications on the Web." Exh. 59.

14 Plaintiff also notes that defendant successfully moved to seal
15 the summary judgment opinion. Additionally, plaintiff points to an
16 allegedly misleading press release issued by defendant after the
17 September 10, 2003 verdict. Exh. A to Pltff's Memo. in Support of
18 Motion re: Enhanced Damages.

19
20 The press release indicates that defendant will file post-
21 trial motions asking the Court to vacate the decision and to reduce
22 the damages. It also noted that there were "indications that there
23 were some egregious irregularities in the jury deliberation process
24 that prevented this from being a fair trial." Id. It further
25 noted that whatever the outcome of the post-trial motions, the
26 verdict would not have a significant impact on defendant because it
27 already removed from its products one infringing feature and
28 additional "modest" modifications or "judicial recognition of

1 existing system distinctions" would alleviate continuing
2 infringement concerns. Id.

3 I agree with plaintiff that Metheny's May 2003 e-mail was
4 somewhat misleading in two respects: first, because it described
5 defendant's declaratory judgment action without mentioning
6 plaintiff's pending infringement action against defendant, and
7 second, because it suggested that left unchallenged, plaintiff may
8 initiate infringement litigation against colleges and universities
9 with in-house online admissions programs.

10 I reject plaintiff's contention that defendant's seeking to
11 seal the summary judgment opinion and its post-verdict press
12 release were designed to conceal any misconduct. As defendant
13 notes, it sought to seal the summary judgment opinion because the
14 opinion described a product made by a third party, XAP Corporation,
15 who had supplied sensitive information to defendant for purposes of
16 defendant's invalidity argument. I accept this representation.

17 Furthermore, I find nothing in the post-verdict press release
18 to be misleading. The press release accurately noted that
19 defendant would file post-trial motions. It attempted to assuage
20 defendant's client's reasonable concerns regarding infringement by
21 noting that defendant already had stopped infringement of one
22 patent and that it would make a modification to prevent continued
23 infringement of the other. These are not misleading statements.

24 Defendant also indicated that it expected that "judicial
25 recognition of existing system distinctions" would eliminate any
26 ongoing infringement concern. Defendant's expectation was realized
27 with the granting of its JMOL on the issue of non-infringement of
28

1 the '042 patent. As to the press release's mention of the jury
2 deliberations, while the appellate court will ultimately decide if
3 this was an overstatement in its reference to a "fair trial," the
4 note it referred to is in the public record and defendant was not
5 prohibited from quoting from it.

6 Because of the May 2003 e-mail from Metheny, this factor
7 supports an award for enhanced damages. But, the support is
8 limited in that the other acts cited by plaintiff do not show that
9 defendant attempted to conceal its misconduct.

10 On balance, an assessment of the Read factors cautions against
11 an award of enhanced damages. Five of the factors weigh against an
12 award. Two factors weigh in favor of an award, and one of those
13 carries limited support. Two factors are neutral. While the
14 majority of the factors weighs against an award, I recognize the
15 weight attached to the willfulness finding by the jury which I have
16 concluded was adequately supported at trial. Based on this and on
17 my view of the Read factors and the entire record, I conclude that
18 an enhancement of ten-percent of the \$181,000 jury verdict on the
19 '278 patent, is appropriate. Accordingly, I grant in part
20 plaintiff's motion to amend the Judgment to include an award of
21 enhanced damages in the sum of \$18,100.

22
23 VI. Plaintiff's Motion to Deem Defendant's Dismissal of '042
Invalidity Claims to be With Prejudice

24 During the trial on September 3, 2003, after defendant had
25 rested its case, but before plaintiff had put on its rebuttal case,
26 defendant indicated that it wanted to make various oral JMOL
27 motions and that it sought dismissal of its invalidity
28

1 counterclaims and affirmative defenses raised as to the '042
2 patent. Vol. 6 Trial Trans. at pp. 89, 93, 96. Plaintiff also
3 indicated that it had one oral JMOL motion it wanted to make at
4 that time which was directed to defendant's "written description"
5 argument, and that it intended to present the remainder of its JMOL
6 motions in writing later in the day. Id. at pp. 89-90.

7 Following a lunch recess, I heard the oral motions. I agreed
8 to hear defendant's motions first because plaintiff's case was the
9 first to conclude. Id. at p. 100. Defendant then moved to dismiss
10 the invalidity counterclaims and affirmative defenses pursuant to
11 Federal Rule of Civil Procedure 41. Id. at p. 101. Defendant
12 indicated that it wanted the invalidity counterclaims and
13 affirmative defenses dismissed without prejudice. Id. The basis
14 of the motion was the claim construction regarding custom
15 formatting data and data delivery. Id.

16 Plaintiff did not oppose the dismissal of the counterclaims or
17 the affirmative defenses. Plaintiff did, however, oppose the
18 dismissal being without prejudice. I declined to resolve the "with
19 or without" prejudice issue at the time given the press of trial.
20 At that time, what was most important was whether the '042
21 invalidity counterclaims and affirmative defenses were in or out of
22 the trial. The parties agreed that they were out. Plaintiff now
23 moves to resolve the undecided issue and seeks to have the
24 dismissal of the '042 invalidity counterclaims and affirmative
25 defenses deemed to be with prejudice.

26 Defendant's dismissal motion should have been made under Rule
27 15 rather than Rule 41. See General Signal Corp. v. MCI Telcomms.
28

1 Corp., 66 F.3d 1500, 1513 (9th Cir. 1995) (explaining that "Rule
2 15, not Rule 41, governs the situation when a party dismisses some,
3 but not all, of its claims."). Thus, Rule 15(a) is the controlling
4 rule, although the distinction is relatively immaterial. See
5 Nilssen v. Motorola, Inc., 203 F.3d 782, 784-85 (Fed. Cir. 2000)
6 (noting that while a voluntary dismissal of one of several claims
7 is properly labeled an amendment under Rule 15(a) and not a
8 dismissal under Rule 41(a), the distinction is technical, not
9 substantive); Wilson v. Crouse-Hinds Co., 556 F.2d 870, 873 (8th
10 Cir. 1977) (suggesting that it is immaterial whether a court acts
11 pursuant to Rule 15(a) or Rule 41(a)(2)).

12 Plaintiff argues that the great weight of authority mandates
13 that when an amendment of the pleadings dropping fewer than all
14 claims is allowed late in the proceedings, an appropriate condition
15 for dismissal is that the dismissal be with prejudice. Plaintiff
16 contends that dismissal with prejudice is appropriate here because
17 over the course of the litigation, significant resources were
18 devoted to litigating the validity of the '042 patent. Then,
19 defendant rested its case, having presented no evidence of
20 invalidity during trial.

21 Plaintiff argues that it would have been entitled to JMOL on
22 the '042 invalidity contentions had defendant not sought to
23 withdraw the counterclaims and invalidity defenses at the last
24 minute. Plaintiff suggests that since at least July 7, 2003, when
25 the summary judgment opinion containing the '042 claim
26 constructions was issued, defendant was aware of the claim
27 construction on which it relied in support of its motion to dismiss
28

1 the invalidity counterclaims and affirmative defenses. Plaintiff
2 suggests that defendant's decision to wait from July 7, 2003, until
3 the end of trial to drop these counterclaims and defenses is a
4 tactic that should not be condoned with a "without prejudice"
5 ruling.

6 In response, defendant notes that while the claim construction
7 regarding the '042 patent was issued on July 7, 2003, it remained
8 in flux until September 3, 2003, due to plaintiff's continued
9 pursuit of reconsideration, first in a formal written motion for
10 reconsideration which was argued on August 20, 2003, and then at
11 various times during the trial. Defendant correctly notes that I
12 did not foreclose plaintiff from rearguing the claim construction
13 issue.

14 I agree with defendant that the cases cited by plaintiff in
15 its memorandum are by and large distinguishable because the parties
16 in those cases had greater control over the timing of their motions
17 than defendant had in the instant case. Here, the relevant claim
18 construction was not final until September 3, 2003, largely because
19 of plaintiff's determination to change it and my indulging
20 plaintiff's attempts. While the final September 3, 2003 claim
21 construction was not substantively different than what was issued
22 in the July 7, 2003 Opinion, defendant's decision to wait until the
23 claim construction was final, or nearly so, to dismiss the '042
24 invalidity counterclaims and affirmative defenses was not
25 unreasonable.

26
27 Furthermore, I reject plaintiff's argument that it is
28 prejudiced by a "without prejudice" dismissal because it expended

1 substantial resources litigating the '042 invalidity claims only to
2 have defendant drop them at the end of the case. First, since
3 defendant's abandonment of its '042 invalidity claims and defenses
4 was based on the claim construction initially articulated in the
5 July 7, 2003 Opinion resolving the summary judgment motions, all of
6 the time and effort plaintiff spent on those claims and defenses
7 before that date is properly viewed as part of the typical
8 resources expended in litigation.

9 Second, plaintiff fails to identify how any of the resources
10 it expended were specific to the '042 patent. Defendant still
11 asserted its invalidity arguments vis a vis the '278 patent. Other
12 than a question or two directed to Allen Firstenberg and Frank
13 Tansey about the number of formats provided by XAP's product, I see
14 nothing in plaintiff's pretrial documents, trial exhibits, or other
15 evidence adduced at trial that would have been obviated by an
16 earlier dismissal of defendant's '042 invalidity arguments.

17 Thus, the only prejudice plaintiff faces is the possibility of
18 another lawsuit, or the relitigation of this one if it is remanded
19 after appeal, in which these invalidity challenges may be mounted.
20 However, the mere prospect of having to relitigate a claim is not
21 sufficient prejudice to deem the withdrawal of the counterclaims
22 and affirmative defenses to be with prejudice. Mechmetals Corp. v.
23 Telex Computer Prods., Inc., 709 F.2d 1287, 1293-94 (9th Cir.
24 1983).

25 Finally, plaintiff's reliance on Exxon Chemical Patents, Inc.
26 v. Lubrizol Corp., 64 F.3d 1553 (Fed. Cir. 1995) is unavailing.
27 There, the plaintiff failed to anticipate that the claim
28

1 construction could change and thus failed to present evidence in
2 support of a claim of literal infringement based on an alternative
3 claim construction. On appeal, the Federal Circuit noted that the
4 record contained insufficient evidence of literal infringement
5 under the Federal Court's claim construction because the plaintiff
6 patentee had not attempted to prove at trial the additional facts
7 required by the defendant's proffered claim construction or the
8 construction adopted by the appellate court. Id. at 1561.

9 Rather than send the case back for trial on that issue,
10 however, the court determined that no new trial was appropriate
11 because the plaintiff had known before trial that the claim
12 construction advanced by the defendant would require the plaintiff
13 to prove at least the additional facts ultimately required by the
14 Federal Circuit's claim construction. Id. at 1560-61. The court
15 noted that the trial judge did not interpret the claims until all
16 the evidence was in, just before the claim was submitted to the
17 jury. Id. Nonetheless, the plaintiff chose not to present
18 evidence of the additional facts required to show literal
19 infringement under the differing claim construction. Id. As such,
20 the court concluded that "Exxon cannot now claim surprise from our
21 variation on Lubrizol's claim meaning and cry foul in not having a
22 second chance to prove what it was free to prove at trial." Id.

23 Plaintiff contends that Exxon should control the analysis
24 here. Plaintiff notes that the issues seen in Exxon and present
25 here are closely related as proving infringement under a changed,
26 narrower claim construction is analogous to proving invalidity
27 under a changed, broader claim construction because each may be
28

1 proved with additional evidence that otherwise may not be
2 necessary.

3 While I agree that the scenarios are similar, there is one
4 important distinction. In Exxon, the plaintiff put on evidence
5 according to its theory and completely ignored the defendant's
6 theory. By putting on its own case while ignoring the other side's
7 theory, it risked being foreclosed from pursuing a different theory
8 upon remand after appeal. Because the literal infringement issue
9 was actually litigated, it was incumbent upon the plaintiff to
10 proffer evidence in support of its literal infringement claim
11 regardless of the claim construction ultimately adopted.

12 In contrast, defendant in the instant case chose not to
13 litigate the '042 invalidity counterclaims and affirmative defenses
14 at all. Rather than litigating the issue based on "Theory X" while
15 risking the later pursuit of the issue based on "Theory Y,"
16 defendant here simply abandoned the claims. Exxon is
17 distinguishable on this basis.

18 Given that the timing of defendant's dismissal of the '042
19 invalidity counterclaims and affirmative defenses was reasonable
20 and given the lack of significant prejudice to plaintiff, I deem
21 the dismissal of the counterclaims and affirmative defenses to be
22 without prejudice. I deny plaintiff's motion.

23
24 CONCLUSION

25 Defendant's motion to reconsider the October 28, 2003 ruling
26 on new trials (#411) is granted; defendant's motion to alter
27 judgment or for new trial regarding Wolfston's expert damages
28 testimony (#387) is denied; defendant's motion for judgment as a

1 matter of law, or to alter judgment, or for a new trial regarding
2 price erosion damages (#382) is denied; defendant's motion for new
3 trial as to infringement, willfulness, jury misconduct, and
4 incomplete transcript (#385) is denied; plaintiff's motion to amend
5 the judgment and award enhanced damages (#391) is granted in part
6 and denied in part; and plaintiff's motion to designate the
7 dismissal of the '042 counterclaims and affirmative defenses as
8 with prejudice (#393) is denied.

9 IT IS SO ORDERED.

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11 Dated this 20th day of January, 2004

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15 /s/ Dennis James Hubel
16 Dennis James Hubel
17 United States Magistrate Judge
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